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GLOBAL BUSINESS ALLIANCE
Investing in America

Worldwide Combined Reporting Makes Maine Anti-Competitive With NO Guaranteed Revenue

Combined reporting exists in several states, but none mandates an overreaching worldwide approach.

- Under combined reporting, a group of affiliated entities files a single tax return based on the combined income of an identified "unitary group."
- The typical approach to combined reporting is water's edge, only a minority of states permitting a worldwide option.
- A true water's edge system generally includes only U.S. companies in the combined group.
- In 2024, New Hampshire and Vermont voted down mandatory worldwide combined reporting after completing comprehensive studies were completed on the issue.
- In 2023, Maine Revenue Services concluded that worldwide combined reporting would be complex and costly to administer due to revenue uncertainty.

Mandatory worldwide combined reporting creates revenue volatility and increases the likelihood of litigation.

- Any form of combined reporting may result in revenue increases or decreases, as it can either rise or reduce a taxpayer's liability, but this volatility is especially pronounced under worldwide combined reporting.
- State revenues may decline if:
  - If a non-U.S. company has losses;
  - If a multinational company's global operations are proportionately less profitable than its domestic operations;
  - If the state already taxes some foreign income such as Maine; or
  - Global data are used to calculate a group's income apportionment.
- Without a true water's edge boundary, taxpayers and state tax administrators face numerous challenges, including access to foreign information, managing cross-border currency conversions, different accounting standards and reporting requirements and language barriers.
- This is guaranteed to result in significant audit activity and prolonged litigation exposure.

Every state that has considered mandatory worldwide combined reporting scheme has rejected it.

- Mandatory worldwide combined reporting threatens to impose significant double taxation on non-U.S. companies, is inconsistent with state, federal and international tax norms and violates principles of U.S. tax treaties.
- Mandatory worldwide combined reporting will create disputes with treaty partners. In the past, some foreign governments have enacted retaliatory action in response to states seeking to adopt a tax structure without a true water's edge system.
- Imposing mandatory worldwide combined reporting will hurt efforts to attract and retain international investment and damage the state's competitiveness.
- Among the small minority of states that permit worldwide combined reporting, it is offered only as an option, and each provides a true water's-edge election, with the exception of Alaska, which mandates it only for a limited number of oil and gas companies.

As the premier advocacy resource for international companies in the United States, the Global Business Alliance (GBA), actively promotes and defends an open economy that welcomes international companies to invest in America. Our members are American companies with global heritage and an indispensable part of our nation's economic success. When America is open for business, we all benefit.